



July 20, 2006

Bryce P. Wilson, CPA
Office of State Budget
1201 Main St. Ste. 870
Columbia SC 29201-3273

References: DCooper@Budget.SC.Gov. "FY2007-08 Budget Plans." E mail
to agtosmer@ag.state.sc.us *inter alia*. July 20, 2006

Authority: S.C. Const. Art. XVII §7
S.C. Code Ann. §59-150-350(A)

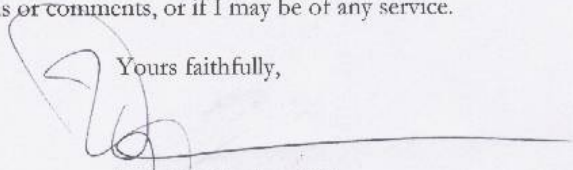
Dear Mr. Wilson:

I trust this will find you and your colleagues in good health.

Per our telephone conversation of this date and the references above, please be
advised the Commission has no authority or requirement to request State
funding.

Please call with any questions or comments, or if I may be of any service.

Yours faithfully,


Dale M. Rhodes, CPA
Director of Finance

FY 2007-08 COST SAVINGS & ACTIVITY PRIORITY ADDENDUM

I. 2% COST SAVINGS ASSESSMENT

A. Agency Section/Code/Name: Education Lottery Commission

B. Agency Activity Number and Name: 818 Prizes

C. Explanation of Cost Savings Initiative: The specified \$2,364,571 was calculated as 2% of a total cost base consisting chiefly of retailer commissions, which are budgeted at the minimum level specified at S.C. Code Ann. §59-150-150(A), and contractually obligated costs. The only feasible remaining source of a direct cost reduction of this magnitude would be prizes.

D. Estimate of Savings:

FY 2007-08 Cost Savings Estimates:	General	Federal	Other	Total
Personnel:				
(a) Number of FTEs				0.00
(b) Personal Service				\$ 0
(c) Employer Contributions				\$ 0
Program/Case Services				\$ 0
Pass-Through Funds				\$ 0
Other Operating Expenses			2,364,571	\$2,364,571
Total	\$ 0	\$ 0	\$2,364,571	2,364,571

E. Activity Impact (*Describe the impact on the activity affected including the impact on customers and clients.*):

A decrease in the amount of prizes would decrease the amount of net income generated by lottery sales. If the Commission did not have the ability to provide an adequate number of winning experiences for its player base, players would no longer have a reason to purchase lottery products. There is a direct relation between prizes paid and revenue generated.

F.

Summary of Cost Savings Initiatives for FY 2007-08:	FUNDING				FTEs			
	General	Federal	Other	Total	State	Fed.	Other	Total
Initiative Title:	0	0	2,364,571	2,364,571	0	0	0	0.00
Activity Number & Name: 818 PRIZES								
Initiative Title:	0	0	0	0	0	0	0	0.00
Activity Number & Name:								
Initiative Title:	0	0	0	0	0	0	0	0.00
Activity Number & Name:								
TOTAL OF ALL INITIATIVES	\$ 0	\$ 0	2,364,571	2,364,571	0.00	0.00	0.00	0.00

FY 2007-08 COST SAVINGS & ACTIVITY PRIORITY ADDENDUM

II. PRIORITY ASSESSMENT OF AGENCY ACTIVITIES

A. Agency Section/Code/Name: Education Lottery Commission

B. Agency Activity Number and Name: 818 Prizes

C. Explanation of Lowest Priority Status: As noted above, the specified \$2,364,571 was calculated as 2% of a total cost base consisting chiefly of retailer commissions, which are budgeted at the minimum level specified at S.C. Code Ann. §59-150-150(A), and contractually obligated costs. The only feasible remaining source of a direct cost reduction of this magnitude would be prizes.

D. Estimate of Savings:

Estimate of Savings:	General	Federal	Supplemental	Capital Reserve	Other	Total
Personnel:						
(a) Number of FTEs	0	0	0	0	0	0.00
(b) Personal Service	0		0	0	0	\$ 0
(c) Employer Contributions	0		0	0	0	\$ 0
Program/Case Services	0	0	0	0	0	\$ 0
Pass-Through Funds	0	0	0	0	0	\$ 0
Other Operating Expenses	0	0	0	0	2,364,571	2,364,571
Total	\$ 0	\$ 0	\$ 0	\$ 0	2,364,571	2,364,571

E. Activity Impact (*Describe the impact on the activity affected including the impact on customers and clients.*):

A decrease in the amount of prizes would decrease the amount of net income generated by lottery sales. If the Commission did not have the ability to provide an adequate number of winning experiences for its player base, players would no longer have a reason to purchase lottery products. There is a direct relation between prizes paid and revenue generated.

F.

Summary of Priority Assessment of Activities	General	Federal	Supplemental	Capital Reserve	Other	Total	FTEs
Activity Number & Name: 818 PRIZES	0	0	0	0	2,364,571	2,364,571	0
Activity Number & Name:	0	0	0	0	0	\$ 0	0
Activity Number & Name:	0	0	0	0	0	\$ 0	0
Activity Number & Name:	0	0	0	0	0	\$ 0	0
Activity Number & Name:	0	0	0	0	0	\$ 0	0
TOTAL OF LOWEST PRIORITIES	\$ 0	\$ 0	\$ 0	\$ 0	2,364,571	2,364,571	0.00